AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

IMPROVING SIZE STANDARDS FOR SMALL FARMERS AND RANCHERS

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE

OF THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

HEARING HELD
NOVEMBER 19, 2015

Small Business Committee Document Number 114–031
Available via the GPO Website: www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

97–628 WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

HOUSE COMMITTEE ON SMALL BUSINESS

STEVE CHABOT, Ohio, *Chairman*
STEVE KING, Iowa
BLAINE LUETKEMEYER, Missouri
RICHARD HANNA, New York
TIM HUELSKAMP, Kansas
CHRIS GIBSON, New York
DAVE BRAT, Virginia
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa
STEVE KNIGHT, California
CARLOS CURBELO, Florida
MIKE BOST, Illinois
CRESENT HARDY, Nevada
NYDIA VELÁZQUEZ, New York, *Ranking Member*
YVETTE CLARK, New York
JUDY CHU, California
JANICE HAHN, California
DONALD PAYNE, JR., New Jersey
GRACE MENG, New York
BRENDA LAWRENCE, Michigan
ALMA ADAMS, North Carolina
SETH MOULTON, Massachusetts
MARK TAKAI, Hawaii

KEVIN FITZPATRICK, *Staff Director*
STEPHEN DENIS, *Deputy Staff Director for Policy*
JAN OLIVER, *Deputy Staff Director for Operation*
BARRY PINELES, *Chief Counsel*
MICHAEL DAY, *Minority Staff Director*

CONTENTS

OPENING STATEMENTS

WITNESSES

APPENDIX

IMPROVING SIZE STANDARDS FOR SMALL FARMERS AND RANCHERS

THURSDAY, NOVEMBER 19, 2015

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Carlos Curbelo [chairman of the subcommittee] presiding.

Present: Representatives Curbelo, Huelskamp, Gibson, Brat, and Meng.

Chairman CURBELO. Good morning. I call this hearing to order.

Next week, Americans will gather around tables across the country in an abundance of goodwill for one another to celebrate a time-honored tradition, Thanksgiving. America's oldest holiday is inextricably linked to American agriculture. Approximately 46 million turkeys, 2 billion bushels of wheat, and 750 million pounds of cranberries will be consumed. And I will note that Florida makes significant contributions to our nation's generous bounty that we will all enjoy and share with our friends and families over the Thanksgiving holiday. Florida is the country's largest producer of squash, fresh tomatoes, and fresh snap beans, among a great deal of other fruits and vegetables. Obviously, this would not be possible without the hard work of our nation's small farmers and ranchers. So I think it is a fitting time that this Subcommittee is discussing legislation that will help ensure that they have access to federal programs and are given appropriate consideration by federal agencies.

Today, the Subcommittee on Agriculture, Energy, and Trade will examine H.R. 3714, the Small Agriculture Producer Size Standards Improvements Act of 2015, introduced by our colleague, Mr. Mike Bost of Illinois. Small business size standards are used by the Federal Government to determine eligibility to receive certain federal contracts and Small Business Administration guaranteed loans. They are also used by federal agencies when they analyze the economic impact of new regulations on small businesses.

The existing size standard for agricultural enterprises, $750,000 in annual receipts, is established in statute and has not been updated in 15 years. It applies to 46 different agricultural subsectors from citrus groves to beef cattle ranching. In contrast, the size standards for all other industries are developed through a congressionally mandated rulemaking process that is transparent and allows small businesses to provide input. The Small Business Administration analyzes a number of factors—average firm size, startup

costs, and entry barriers, industry competition, and the distribution of firms by size—and then proposes changes to small business size standards through the notice and comment rulemaking process.

It seems to me that small farmers and ranchers have been neglected for too long. The size standards setting process for agricultural enterprises needs to be modernized. The existing statutory size standard does not account for changes in industry structure, cost of production, economic conditions, or other factors. That is why I am proud to join Ranking Member Meng in cosponsoring H.R. 3714, which was introduced by Representative Bost. The Small Agriculture Size Standards Improvements Act of 2015 would strike the $750,000 statutory size standard and require the SBA to establish size standards for agricultural enterprises through the notice and comment rulemaking process. It would also require those size standards to be periodically reviewed at least every 5 years. This will ensure that size standards for small farmers and ranchers are up-to-date so that they are able to compete for federal contracts, have access to SBA guaranteed loans, and are considered when agencies draft new regulation.

I want to thank Mr. Bost and Ranking Member Meng for their legislation and the witnesses for appearing before the panel today. I look forward to hearing your thoughts on this important legislation.

With that, I yield to the ranking member for an opening statement.

Ms. MENG. Thank you, Chairman Curbelo.

Small businesses play a critical role in the American economy. They make up the vast majority of employer firms and create nearly two-thirds of new jobs. Over the years, Congress has created numerous federal program set-asides, tax preferences, and SBA loan programs to help these small businesses succeed. However, the advantages confirmed by these programs have led to heated debate over who is truly a small business and acceptable small business size standards to govern eligibility.

Last year, small business were able to access over $28 billion in capital using SBA loan programs. Many businesses used loan proceeds to keep their doors open, retain employees, and create new jobs. Small business-oriented tax provisions allow firms to write off expenses quickly, putting money back in their hands to create new avenues for growth. One of the most significant impacts size standards have is on federal agency regulatory changes that have the potential to cause financial hardships to small businesses. The Regulatory Flexibility Act requires agencies to assess whether the rule they are contemplating would have a significant economic impact on a substantial number of small entities. If a business is not considered small, agencies are under no requirement to review the impact that regulatory changes would have on small firms, nor offer alternatives.

Generally, SBA is tasked with defining size standards that establish eligibility for its programs and the applicability of reg flex. While the agency has crafted size standards for over 1,100 individual industries, agriculture has been exempted. Instead, Congress has set a rigid gross revenue base standards for all agriculture industries. Unfortunately, the standard has not been ad-

justed since it was statutorily set to $750,000 in the year 2000 and is now woefully out of date.

Since Congress took over setting the standard, agricultural production has shifted dramatically. The midpoint for crops has grown 88 percent from 589 acres to 1,105, and as of 2011, farms with at least 2,000 acres now account for 34.2 percent of crop land. Additionally, with the advent of new technologies, many operating agricultural businesses have been able to increase their production rates.

Yet, during this time there has also been a reduction in the number of small and mid-size farms as crops have been consolidated or absorbed by larger farms. According to research by the U.S. Department of Agriculture, the number of farms with at least $1,000,000 in sales grew from 24 percent of the value agricultural production in 1982 to 59 percent in 2007. During this period, small commercial farms with $10,000 to $250,000 in sales, fell by two-thirds.

Properly determining small farm size standards is particularly important for New Yorkers. Most of the farmers in my home state of New York occurs on smaller farms, and this discrepancy across the various sectors of the agriculture industry limits opportunities.

The Small Agriculture Producer Size Standards Improvements Act introduced by Congressman Bost, Chairman Curbelo, and myself, will eliminate the outdated size standard in the year 2000. The bill gives the SBA the authority to tailor standards to the wide variety of agricultural businesses across our country. What is small for a cattleman is not the same for fresh produce producers or dairy farmers. Our bill will require SBA to apply their current methodology, solicit feedback from industry stakeholders, and implement specific standards that can be tweaked periodically to respond to changes in the industry.

Today, we will examine how the current size standards are impacting small farms in the real world. We will discuss how H.R. 3714 will help bring agricultural size standards into the 21st century. It is my hope that H.R. 3714 will give the SBA the tools necessary to set size standards for those in agricultural production that are reflective of their industries while ensuring that adjustments are done with careful consideration as to the effects on smaller farms.

In advance of the testimony, I want to thank all the witnesses who traveled here today for both their participation and insights into this important topic. Welcome, Congressman Bost.

Thank you, and I yield back, Mr. Chairman.

Chairman CURBELO. Thank you, Ms. Meng.

If Committee members have an opening statement prepared, I ask that they be submitted for the record.

I would like to take a moment to explain the timing lights for all of you. You will each have 5 minutes to deliver your testimony. The light will start out as green. When you have 1 minute remaining, the light will turn yellow. Finally, at the end of your 5 minutes, it will turn red, and I ask that you try to adhere to that time limit.

Our witness for the first panel is someone we know quite well around here, the Honorable Mike Bost from Illinois. As a member

of both the House Committee on Small Business and the House Committee on Agriculture, Mr. Bost has worked hard in Congress for small and family-owned farms. Last month, Mr. Bost introduced H.R. 3714, the Small Agriculture Producer Size Standards Improvements Act of 2015 in an effort to ensure farms have access to the small business programs that help many of them blossom.

Mr. Bost, we look forward to your testimony. You are now recognized for 5 minutes.

STATEMENT OF THE HONORABLE MIKE BOST, UNITED STATES HOUSE OF REPRESENTATIVES

Mr. BOST. Thank you, Chairman Curbelo and Ranking Member Meng. Thank you for inviting me to testify here today on the Small Agriculture Producer Size Standards Improvement Act. My comments will be brief for the sake of everybody's time and so that we can begin hearing from the panelists that are behind us and that are on the next panel.

President Eisenhower once said, "Farming looks mighty easy when the plow is a pencil and you are a thousand miles from a corn field." Unfortunately, the quote is accurate for describing the statutory established size standard for agriculture producers.

Agriculture production is an important contribution to the American economy. According to the USDA, the total value of farm products exceeds $390 billion, and the agricultural industry supports 16 million domestic jobs. Farmers and ranchers provide the food, fiber, and fuel that is critical to our daily lives.

Family-owned farms will account for the majority of farms and ranches in the United States. However, the event of new technology has greatly increased productivity, leading to a lower price for many commodities. This pressure on commodity prices is expected to grow as newer technologies are adopted. Farming and ranching are a low margin industry. This has led to a consolidation of many single-family owned operators and operations into larger, multifamily-owned operations, but these operations remain small businesses.

Unfortunately, the current small business size standard for agriculture has been set in statute and is outdated. The standard is too low for a vast majority of farms and ranches to participate in potential government contracting and subcontracting opportunities. In addition, the stationary standard has no rational basis. It appears that the numbers were just picked out of the air by some previous Congress.

In the 30 years since its enactment, the statutory size standard, the Small Business Administration has significantly improved its process for determining small business size standards. This should address whatever issue previous Congresses had when it established the statutory size standard.

I believe it is important that Congress and the federal agencies promote consistency in policymaking. My legislation will help to ensure that consistency.

Once again, Chairman Curbelo and Ranking Member Meng, I want to thank you for holding today's hearing and for being original cosponsors of the bill. I also want to thank and welcome your questions now, and I will be glad to answer any questions.

Chairman CURBELO. Thank you, Representative Bost. I have a long list of questions.

Mr. BOST. Oh, good. I was looking forward to those.

Chairman CURBELO. But I understand you have another important meeting——

Mr. BOST. I do.

Chairman CURBELO.—that you have to get to. Is there anything else that you have for the record?

Mr. BOST. No. I want to thank you for bringing this up before the Subcommittee, and I would encourage everybody for an aye vote to try to move it on to the Full Committee. Thank you.

Chairman CURBELO. Again, I would like to thank Representative Bost for testifying before the Subcommittee this morning, and now we will pause for a moment to have the second panel seated. Thank you.

[Recess]

Chairman CURBELO. Welcome to all of you. Our next witness is Dr. Nicholas Paulson, associate professor of Agricultural and Consumer Economics, at the University of Illinois at Urbana-Champaign. Dr. Paulson's research interests include agricultural finance, farm, and risk management and crop insurance. Dr. Paulson received his Ph.D. in Economics from Iowa State University.

Our second witness is Mr. Jeff Beasley, co-owner of Beasley and Sons Livestock in Creal Springs, Illinois. Mr. Beasley's business is located in Mr. Bost's district. This morning, Mr. Beasley will be testifying on behalf of the National Cattlemen's Beef Association.

The next witness is Mr. Larry Burgin, owner of Mushkoday Farm in Delhi, New York. Mushkoday Farm is a fifth-generation family-owned dairy farm. Today, Mr. Burgin will be testifying on behalf of the National Council of Farmer Cooperatives.

And now I yield to our ranking member for the introduction of the next witness.

Ms. MENG. Robert Guenther is a senior vice president of Public Policy for United Fresh Produce Association, representing the fresh fruit and vegetable industry before Congress, the administration, regulatory agencies, and the media. Prior to United Fresh, Robert's political career spanned the halls of Capitol Hill and federal agencies, working for former Representative Gary Condit and at the Environmental Protection Agency. Highly regarded for his bipartisan approach and strategic advocacy initiatives, Robert has been appointed to numerous prestigious positions, including the Board of Directors of the North American Dispute Resolution Corporation, the Minor Crop Farm Alliance, the USDA Agriculture Policy Advisory Committee on Trade for Fruits and Vegetables, and the Food and Drug Policy Forum Editorial Advisory Board. Welcome.

Chairman CURBELO. Thank you all for being here.

Dr. Paulson, you are recognized for 5 minutes.

STATEMENTS OF NICHOLAS D. PAULSON, PH.D., ASSOCIATE PROFESSOR, AGRICULTURAL AND CONSUMER ECONOMICS, UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN; JEFF BEASLEY, CO-OWNER, BEASLEY AND SONS LIVESTOCK; LARRY BURGIN, OWNER, MUSHKODAY FARM; ROBERT GUENTHER, SENIOR VICE PRESIDENT, PUBLIC POLICY, UNITED FRESH PRODUCE ASSOCIATION

STATEMENT OF NICHOLAS D. PAULSON

Mr. PAULSON. Thank you. Good morning, Mr. Chairman, Ranking Member Meng, Subcommittee members, staff, and observers. I would like to thank you for the invitation and opportunity to address the Subcommittee as part of this hearing. My testimony today will focus on the Small Business Association's current size standard for agricultural businesses and the appropriateness of adjusting those standards as outlined in H.R. 3714.

Given my background, I will be addressing this issue from a commodity crop farm perspective and will include some specific examples for a corn and soybean farmer.

I would first like to comment on commodity prices and the current size standard of $750,000 per year. This standard is fixed by statute and has not been updated for the past 15 years. Over that time period, the average price received by farmers for many major commodities has increased dramatically. For example, the national average price received for corn from 2010 to 2014 was 149 percent higher than the average from 2000 to 2004. Average soybean prices have also increased by 123 percent. Average barley, oat, rice, sorghum, and wheat prices have all also increased by over 100 percent over that time period. For the producers of these crops, higher price levels have increased sales values even if no real changes have been made to the scale of their farm operations.

Consider a representative corn and soybean farmer in the U.S. The current standard would have implied a maximum small farm size of nearly 3,000 acres when the standard was initially established. Over the next 5 years, using projected corn and soybean prices, the maximum size for a small corn and soybean farmer will have fallen to just under 1,450 acres, or roughly half the size of what was considered a small farm when the standard was established.

While this example is specific to a corn and soybean farm, there would be a similar impact for producers of all other crops whose prices have increased over the past 15 years.

The increase in sales levels can also be illustrated nationally for all farms. The 2012 Census of Agriculture reports that the number of farms with at least $500,000 in sales increased by more than 38,000 operations, and the number of farms with at least $1,000,000 in sales increased by more than 24,000 operations since 2007.

These figures suggest a significant number of farms have shifted beyond the current size standard, losing eligibility status for SBA programs with higher price levels and natural responses that these farms must be generating more income and have less need for SBA programs. However, production expenses have also increased dramatically. According to USDA data, total expenses have increased

by 97 percent for all farms and by over 200 percent for grain farms in the U.S. since 2000.

While U.S. farm income has been higher in recent years, current baseline projections provide a short-term outlook with price levels below what has been experienced recently for most major commodities. With higher production costs, this implies a return to much lower income levels for producers of many of these crops.

Again, a specific example of a corn and soybean farm may help to illustrate crop budget data from my colleagues at the University of Illinois shows a significant increase in production costs, and the average farmer returns for corn and soybeans were negative in 2014 and are currently projected to be negative for this year and for 2016. As production costs have risen, the working capital and credit needs of farmers has also increased. Debt use in terms of total dollars has increased significantly over the past 15 years. The average current or short-term liability balance per U.S. farm has increased more than 90 percent, while noncurrent liabilities have increased by 50 percent. The increase in debt use on U.S. grain farms is even more pronounced with an increase of over 200 percent since 2000. This provides yet another reason to carefully consider the size standard as the current definition can severely limit eligibility for SBA programs during a time of critical need for a significant number of farm operations.

Finally, I would like to make the Committee members aware of the precedent for adjustments to sales-based size definitions used in agriculture. In 2010, the USDA revised the definitions of their size typology categories to reflect the structural changes which had occurred over the preceding 15 years. The large family farm threshold was increased to $1,000,000 per year in sales, shifting more than 64,000 operations into the small farm typology category. The main justification cited for this revision was a significant increase of 41 percent in the producer price index from 1995 to 2010. The PPI for farm products has further increased by more than 16 percent since 2010.

I hope the points that I have outlined and that are included in my written testimony have convinced the Subcommittee members that sales-based size standards for agriculture should, at a minimum be periodically considered for adjustment. Higher commodity prices have significantly increased sales levels for U.S. farms, and production expenses and debt needs have also been on the rise. Thus, it is critical to have an appropriate definition in place for small agricultural businesses to ensure continued access to and eligibility for SBA programs.

I urge the Committee to carefully consider this issue as deliberations proceed. Thank you again for the invitation to address the Committee, and for your time as part of this hearing.

Chairman CURBELO. Thank you for your testimony, Dr. Paulson.

Now, Mr. Beasley, you are recognized for 5 minutes.

STATEMENT OF JEFF BEASLEY

Mr. BEASLEY. Good morning, Mr. Chairman, Ranking Member, and members of the Subcommittee. My name is Jeff Beasley from Creal Springs, Illinois, and I am the co-owner of Beasley and Sons

Livestock. It is my pleasure to be here today on behalf of our family farm and the National Cattlemen's Beef Association.

Nearly a century ago, my great grandfather and his siblings purchased land that remains the core acreage of the Beasley Farm in Southern Illinois. The farm was passed down to my grandfather and my father, and over 20 years ago, I joined the family farm. Raising beef cattle is a way of life that we love, but we must also be financially successful to continue our family's legacy.

Our farm has grown and expanded significantly over the years. De pending on the year and circumstances, we have been caring for anywhere between 2,000 to 4,000 head of cattle per year on several hundred acres of our own land, in addition to leasing and managing two other farms.

The changes to agriculture in my lifetime have been overwhelming and hard to fathom to say the least. As any business, I must accept the reality that we are in a family business, and to sustain the business, we have to earn a profit on what we have invested. I truly believe that farming and ranching is the quintessential "small business," and we should be recognized as such in regard to business regulations that can greatly impact us.

The amount of capital that we are required to manage these days is almost mindboggling. Costs of production have soared. It takes a good amount of equipment and facilities to manage and care for the cattle, and that comes at a hefty price tag. Feed costs, grass and crop seedings, fencing, equipment, maintenance and labor costs all add up significantly, not to mention the cost of purchasing cattle.

While I consider a cattle operation the size and structure of ours as a small business, the dollars that we must spend and manage far exceed what Congress considers an agricultural small business. The current definition is not reflective of today's agricultural industry and limits our ability to operate on a level similar to other non-agricultural businesses. For us to be able to pass along the family farm, we need regulations that are modernized, fair and equitable, and that is what I am seeking today.

The outdated size standards of the Small Business Act clearly do not reflect modern agriculture. An average farmer in 1987 would have been eligible for a loan through the Small Business Administration by not exceeding the statutory limit of $500,000. However, the average farm value in 2012 would vastly exceed the current statutory limit of $750,000. The Small Business Administration should have the authority to adjust statutory limits on a regular basis by using data from the Census of Agriculture, as well as other data provided by the U.S. Department of Commerce.

American agriculture is a prime example of an industry that has evolved to meet market demands by embracing technology, making necessary investments, overcoming natural disasters, and becoming more efficient than previous generations. Most of our international competitors also face similar risk but the one advantage American agriculture has had over the years has been our access to credit. The majority of agricultural financing is conducted through private local banks, the Farm Credit System, USDA-backed credit programs, and other government loans. Our industry appreciates access to these credit opportunities, but it is important to realize that

agriculture has evolved over 30 years into businesses that are more diversified in order to face less volatility on the balance sheet.

Agriculture is a unique industry because we provide a basic necessity—food. History is full of stories of nations rising and falling by not having access to basic needs. The United States has seen its population of farmers fall from 16.5 percent of the total population in 1950, to 1 percent of the population in 2012. At the same time, U.S. agriculture production has grown exponentially from $109 billion in 1950 to $279 billion in 2012.

Unlike previous generations who had very little job options other than the family farm, today's agriculture industry primary consists of an educated workforce that wants to engage in agriculture. Due to the enormous startup and operational costs, it is very difficult for new people to enter the agriculture industry. Even though UDA has programs to assist young farmers and new farmers, many times those loans are not great enough to cover the necessary cost. There is no silver bullet that can solve this problem. A common sense approach should be applied to small business loans to provide the agricultural sector greater access for small business programs.

I appreciate the Subcommittee's interest and time to have this hearing today on how small businesses like our family's cattle farm could accurately be represented within the definitions of the Small Business Administration. Enacting the Small Agriculture Producer Size and Standards Improvement Act is a step in the right direction to recognize small agricultural businesses.

Thank you for inviting me to be here today, and I look forward to your questions later on.

Chairman CURBELO. Thank you very much, Mr. Beasley.

Mr. Burgin, you are now recognized for 5 minutes.

STATEMENT OF LARRY BURGIN

Mr. BURGIN. Chairman Curbelo, Ranking Member Meng, and members of the Subcommittee, my name is Larry Burgin and I am honored to be here today.

Among with my two oldest songs, I milk 150 cows in Delhi, New York. We also grow corn for silage, hay, and other crops on our 300 acres.

I market my milk through Dairy Farmers of America, a national milk marketing cooperative. DFA is a proud member of the National Council of Farmer Cooperatives, who I am representing here today.

Farmer coops handle about 80 percent of the nation's work production.

New York is a diverse agricultural state, and is the nation's third largest producer of milk behind California and Wisconsin. New York's dairy industry is also diverse in both farm size and management style. It has approximately 5,600 dairy farms that range from 10 cows to several thousand cows.

In the last 5 years, New York's milk production has increased about 10.5 percent compared to 8.8 percent growth nationally. Milk cow numbers, however, have declined by approximately 1 percent. Since 2008, New York dairy cows have increased their individual milk production from under 20,000 to over 22,000 pounds per cow.

Producing more milk with less cows is due to better herd management and efficiencies gained through better genetics and feed rations. This is a trend we have experienced on our dairy over the past several decades, as well as nationally.

USDA's average milk production numbers demonstrate the industry's increased efficiency. In 1970, the U.S. dairy herd of 12 million cows was spread across nearly 650,000 dairy farms. That herd produced approximately 10,000 pounds of milk per cow per year. In 2012, 9.2 million cows residing on less than 60,000 dairy farms produced more than double that amount. This increase in productivity means that farms that were once considered small may be too large to qualify for Small Business Administration loan programs.

The dairy industry and my farm's success year over year are dependent upon a number of factors I have outlined in my written testimony, but I would like to note that increased production costs over the past 20 years have been driven by higher input, labor, and land costs. Because of those varied factors, on-farm income varies from year to year. In 2009, the dairy industry went through a period of historic low milk prices. Dairy farms struggled and a farm my size would have qualified for SBA benefits. Jump to 2014. Record-high milk prices would have pushed my farm above the SBA threshold. In comparison with farms in New York and other parts of the country, my dairy would be considered a smaller operation. But the growing efficiency of the dairy herd and volatility of milk prices would sometimes skew my farm's status with the SBA.

USDA's average all-milk price for 2009 was $12.81 per 100 weight. An average producing dairy in New York could have had up to 260 cows before it breached the SBA threshold of $750,000. In 2014, when the average milk price was almost $24, 140 cows with an average production would have likely have been too big.

Mr. Chairman, in 2009, a Florida dairy farm with about 280 cows would have been considered small by the SBA, but by 2014, that number would have decreased to about 150. Farming can change dramatically from year to year and generation to generation. Therefore, federal programs meant to support an industry need to be revised periodically in order to appropriately reflect those changes.

Through the years, my farm has grown in size. It has grown to allow me to spread out expenses and to allow for more family member involvement. It has also helped to ensure my wife and I were able to provide for our family, but the growth in size was not directly commensurate with the growth in income. Like other businesses, input costs always seemed to rise and margins to shrink. SBA programs should acknowledge these unique aspects of agriculture in order to be a partner in our success.

I appreciate the House Small Business Committee taking interest in this issue. I support the Small Agriculture Producer Size Standards Improvements Act of 2015 introduced by Mr. Bost and supported by members of this Committee. The dynamics of today's farms and farmers, especially those who farm as their sole source of income, have changed dramatically. I believe the SBA size standards should reflect those changes.

Thank you for allowing me to be here today. I would be pleased to take any questions.

Chairman CURBELO. Mr. Burgin, thank you very much for your testimony.

Votes have been called, but what we are going to do is take Mr. Guenther's testimony. Then, we will recess the Committee and we will reconvene it at the conclusion of votes.

So Mr. Guenther, you are now recognized for 5 minutes.

STATEMENT OF ROBERT GUENTHER

Mr. GUENTHER. Thank you, Chairman Curbelo and Ranking Member Meng. My name is Robert Guenther. I am the senior vice president of Public Policy for United Fresh Produce Association.

As you know, United Fresh is the national trade association representing the entire distribution chain of fresh fruits and vegetables production, including growers, shippers, wholesale distributors, processors, and retailers. Since 1904, United Fresh has worked with Congress and the administration to help shape legislative and regulatory policies, to provide strong business climate for our members that encourages growth and development. We thank you for the opportunity to address an issue that impacts the ability of many of our United Fresh members to utilize key programs designed to assist small businesses as they seek to develop and diversify their operations. As you know, United Fresh provided testimony last year when this Subcommittee looked at the issue of the size standards used by the Small Business Administration. We would also like to commend Representatives Bost and Meng, along with Chairman Curbelo, for introducing H.R. 3714, to modernize the small business size standards for farmers and ranchers by permitting SBA to update methodologies in setting size standards.

For a variety of reasons, such as changes in the economy or fluctuation in commodity prices, the number of agriculture producer operations classified as small businesses has been on a continual decline, even though many of these operations made no significant changes that would otherwise justify a reclassification. Taking into account the current agriculture business models, a standard many times higher than the current $750,000 in annual receipts would be the norm in today's agriculture community. More importantly, fruit and vegetable producers, like producers of other commodities, will tell you that annual gross receipts are not a reliable indicator of an operation's size. Nor is it a good indicator of profitability, in light of the cost of inputs and labor, which in fruit and vegetable production is significant.

In addition to being an unrealistic representation of many agriculture operations, the current SBA standards put agriculture small business operators at a disadvantage in their ability to avail themselves of assistance that they could utilize to grow and adapt their operations. The current $750,000 size standard applied to agriculture operations limits small agriculture producers' access to SBA assistance programs and federal contracting preferences for small prime and subcontractors. Key SBA programs that may prove useful to produce operations include loans to start, acquire or expand a small business or loans that provide long-term, fixed-rate financing for assets such as land or buildings, among others.

As you are aware, in the United Fresh testimony from 2014, we suggested that Congress and the administration consider alter-

natives that would eliminate the current standard and allow SBA to review industries currently considered to be small agriculture producers. Following that review, SBA could then propose new size standards through the normal regulatory process which would allow agriculture operators to comment and provide recommendations for a new standard. United Fresh believes that such a proposal would allow SBA to routinely review and update the standard and keep pace with the variations in the agriculture community such as changes in the commodity markets. As a result, the correct and appropriate size standard will be in place, better allowing producers to have access to SBA programs and ensure agriculture producers' needs are better reflected in a variety of regulatory initiatives. In addition, in 2014, we also suggested, and still believe, that it would be very helpful if there was greater harmonization of standards used by SBA and the U.S. Department of Agriculture. For example, USDA uses acreage as a determination factor of how an operation is categorized. We believe that is a more accurate indicator of whether a business can be considered small and should be incorporated in any determination of what category an agriculture operation should be included.

While we still believe that such an initiative by SBA would bring about needed changes to size standards that apply to farmers and ranchers, we also believe that H.R. 3714 would also result in a much-needed modernization of agriculture size standards that reflect present-day farm operations and the current farm economy, and we support its passage. We also estimate that approximately 10 to 15 percent of our members would have better access to SBA programs if this legislation were enacted.

Again, thank you, Chairman Curbelo, Ranking Member Meng, for holding this hearing and for allowing me to share United's position with you today. We look forward to working with you, and I will be happy to take any questions.

Chairman CURBELO. Thank you very much, Mr. Guenther, for your testimony, and all of you for your testimonies and for sharing your personal stories. After votes, we will open it up to member questions. I assume we will be back sometime around 11:20 perhaps. 11:20, 11:30 at the latest, hopefully.

So with that, we will adjourn, and we will reconvene after votes.

[Recess]

Chairman CURBELO. The hearing is called back into order. Thank you all for your patience, and I thank my colleagues for their cooperation.

I have a question. Mr. Guenther, in June, the Subcommittee held a hearing that focused on current challenges affecting small citrus growers, including a bacterial disease called HLB or citrus greening. The cost of producing an acre of citrus have increased from $850 to $2,250 due to the cost of treating trees to fight HLB. It seems to me that if size standards were periodically reviewed by SBA, they could account for the increased cost of producing crops. This is a major concern in my area. Do you agree?

Mr. GUENTHER. Definitely, Chairman Curbelo. I mean, I think this is a huge issue down in Florida, and as you know, and from the hearing you did this summer, it is spreading to Texas, Cali-

fornia. I mean, this is a widespread issue that is really affecting the country's citrus industry in particular.

I will give you a personal perspective that I mentioned earlier to some folks. My family is a small citrus farm in Florida. I talked to my parents just in the last week and my father is kind of, you know, he has got greening and he has decided to probably try other products, like peaches and persimmons because it is just not viable right now because of the increased costs in terms of keeping a citrus operation running. So, I mean, I just had that conversation.

Chairman CURBELO. And you view this legislation as a potential solution for those growers?

Mr. GUENTHER. Exactly. Exactly. Because it gives them more diversity in terms of potential programs. It helps them keep those crops viable.

Chairman CURBELO. Thank you very much.

I would like to now recognize the ranking member for questions.

Ms. MENG. Thank you, Mr. Chairman.

I had a question in general. Well, one of Mr. Guenther and then anyone who would like to answer.

One of the major advantages of having SBA set size standards for the agriculture industry is increasing eligibility for the agency's 7(a) and 504 loan programs. Is access to capital something small produce farms or any farm struggles with? And how can SBA's program fill the gap in the USDA loan programs?

Mr. GUENTHER. Very good question. I think where there are opportunities that a vast majority of farmers use a lot of the different programs at USDA. But there are, you know, kind of those areas where the Small Business Administration or the Small Business loan and grant programs that they have can also supplant kind of infrastructure investments and things like that that potentially can help them build and increase infrastructure areas that potentially USDA cannot apply for.

So I think, again, to the point we were just talking about this legislation, provides, you know, if it was passed and put into law, it provides opportunity for a much broader set of agriculture, small agriculture producers to benefit from SBA that really cannot right now. They are limited in terms because of the size issues related to that.

Ms. MENG. Thanks. Anyone else?

Mr. BEASLEY. I would address that. In my statement, I mentioned that we have access, all in agriculture, to private local banks—Farm Credit, and USDA, for example. However, this would give us an alternative, an additional option. One thing that we have found—and we deal with local banks, local community banks—access to financing is more difficult now than it used to be, and that is primarily because of federal regulations on the banking industry affecting the smaller banks. So because their hands are, I will say "tied" to some extent, and they have trouble dealing with the regulations, that is sort of passed on to the farmers like myself, and Larry, in having to deal with these banks. So not that we still do not have that opportunity, but being able to work with the SBA would give us an additional option. And I think could prove to be very beneficial.

Mr. BURGIN. I would like to comment on that as well. I think the SBA would be able to offer producers help in developing business plans and such for expansions or moving into on-farm processing or on-farm marketing as well.

Ms. MENG. The last time SBA was in control of agricultural size standards it tried to reduce the definition to just 100,000 in revenue, which promoted Congress to step in. What is your level of confidence that the SBA will do a better job this time around? And if you had a wish list, what is your advice to give them to ensure that your industries are accurately assessed?

Mr. BURGIN. I would like to speak to that. I believe that each one of the agricultural industries is very unique in its scope and size of operations and therefore, the standards should be reviewed for each one of those industries to give each producer in each one of those industries the access to the SBA funding and counseling that is available.

Mr. BEASLEY. I would agree with the statement. What we see is that we just have so many restrictions now. For example, let's say that we wanted to diversify our family operation. If we want to go through Farm Credit, they are focused on agriculture only. But let's say that my family wanted to take its beef operation and expand, maybe do retail, restaurant, grocery, whatever. Through Farm Credit, that might not be a possibility. With SBA, we could possibly work with them. So that, again, gives us more opportunities to diversify and have additional finance. So, again, I just think that would be truly a good benefit for us.

Ms. MENG. Thank you. I yield back.

Mr. GIBSON. Well, thank you. I will yield myself 5 minutes and say that I really appreciate this hearing. Thank you very much for the testimony. I think it has been very informative.

And I want to say to Mr. Burgin, who is a constituent of mine, how proud I am of him and also his family. I think farmers represent all that is good in our country, and I think you made a very compelling case why sticking with $750,000 does not make sense. Just because, as you pointed out, just given the business cycle of what the 100 weight is going for, you will either be eligible or not eligible potentially several times in one year. So that is really not the level of certainty that we want to have for our business plans going forward.

My question is, for the record, I would love to hear from Mr. Burgin and Mr. Beasley to talk about how you leverage federal programs in general because I think this is very important for the American people to hear the public-private partnership. I think it is very important that an independent nation needs to be able to grow and consume ideally locally, but certainly, produce its own food. And that is one of the reasons why we work so hard on a farm bill which we do in collaboration with small business, but I think it will be worthwhile to hear from both of you how you engage federal programs to ensure the viability of your programs.

We will begin with Mr. Burgin, and then Mr. Beasley.

Mr. BURGIN. Well, our farm accesses federal programs mainly through the MPP program at this point. It provides us with an insurance for our business. Over the past several years, we have done quite a bit of reinvesting in our business, and investing in

new technology, and the MPP program allowed us to have an insurance, so to speak, that if milk prices took a severe downturn, or the margin caused by milk prices being reduced, if those margins decreased, that we would have enough cash flow in our operation to cover our commitments to the financing required for those assets. We also do participate in the countercyclical programs through USDA as well for the row crop portion of our operation as well.

Mr. BEASLEY. We, likewise, utilize a lot of USDA services. Primarily, we have worked with FSA, Farm Service Agency. They helped administer the drought—the Disaster Assistance Program. Probably more so, we work with NRCS, National Resource Conservation Service. They have been valuable because one thing that is important to farmers and ranchers is to conserving the soil, the land. That is what we make our living off of. We certainly do not want to abuse it and there are some good tools working within RCS to help us make it more sustainable. So I think it is great that we have those options and there are some good programs. I guess while I have the opportunity, I will say there is a bit of a downside and sometimes working through the federal agency there are a lot of hoops to jump through. Time is not always of the essence seeming with them, whereas it may be of the essence with the farmer to try to get something accomplished. So make it more user friendly, for lack of a better term, I think would be helpful to farmers like ourselves. But certainly, they play a role in helping our operations. NRCS has been out at my farm several times this year as we are implementing some conservation practices that are vital to the long-term future of our farm. So I think that is very important.

Mr. GIBSON. I appreciate the testimony of both you gentlemen, indeed. It echoes or mirrors some of the things I hear when I am out there all the time, mentioning on conservation, how important these programs are. They are incentivizing to make these practices that are good for our business plans and also good for the earth. And I think it also showcases farmers who are premier conservationists, and I think that helps us when we get into conversations about, as you indicated or alluded anyway, Mr. Beasley, sometimes when government may be very aggressive or looking to move down an angle, say with like Waters of the U.S. And when I engage on your behalf, I say, “Look, no one is a stronger conservationist than farmers because they know that if they ruin their land, they basically ruin their business plan. So thank you for making that testimony for the record.

And Dr. Paulson, can you give me an example of some factors present today that were not present 15 years ago when these standards were set in stone that have significantly impacted prices and how these changes have affected financial reporting for small farms?

Mr. PAULSON. So I would say maybe the biggest factor from the price perspective is just the amount of volatility that exists in the market, and this is kind of echoing some of the statements that were made and some of the other panelists’ responses. I covered how price levels have increased for many major commodities, but it is really the level at which we can see those prices vary. And

your comment about how dairies may move in and out of the standard within a year, that is very true for crop producers as well.

Some of the market factors that I think have been big for crop production would be some areas of additional demand that have been created, both on the export side and for some alternative domestic uses for crops, and that has created higher competition for land across all commodities and just increase that volatility factor in addition to moving market prices up.

Mr. GIBSON. Well, I thank you. And before we close, what I would like to do is give each of you an opportunity to have a moment for the record. I mean, we have already got good records of what you have said so far, but this is going to be shared far and wide, not only within the Committee and the professional staff, but it is available then for colleagues as we move bills towards the floor.

So really, I want to start with Mr. Guenther, and just allow you to make any closing remarks that can be germane to this bill or anything else you think you would want to share to members of Congress.

Mr. GUENTHER. I usually have a lot to share with members of Congress. I do want to thank the Committee for allowing us to testify, allowing to hear from producers across the country, different parts of agriculture to, you know, this issue is very important to a lot of producers and a lot of people within the agriculture community. You know, trying to make sure good, common sense legislation is passed that helps our federal regulatory agencies really address key issues that are important to us. So, again, we want to thank you for the opportunity to do this as always and we think this bill is extremely important to move forward through the House and hopefully through the Senate to be implemented in near future.

Mr. GIBSON. Thanks, Mr. Guenther.

Mr. Burgin?

Mr. BURGIN. I would echo what Mr. Guenther has said in terms of the importance of this SBA legislation. I think from the perspective of our farm, the thing that is most concerning to us right now is the Waters of the U.S. that the EPA is imposing upon us, and quite frankly, I do not know about Mr. Beasley, but on our farm, that scares us half to death because of what it could do to our operation.

I would like to thank this Committee for allowing me the opportunity to testify here today as well. Thank you.

Mr. GIBSON. Thanks, Mr. Burgin.

Mr. Beasley?

Mr. BEASLEY. I will agree with him on the WOTUS comment. I think this legislation that Mr. Bost has put forward is very important.

If you were to come to our farm, you would see that it is a small business. It is myself, my father. We have two full-time employees, one part-time employee. But we are, as I mentioned in the statement, the quintessential small business by all means. The $750,000 threshold, however, is way below the level of business that we do. So this has definitely got to be addressed. I think it has got to be raised significantly because to think that I would not fall under the

category of a small farmer I think is ridiculous. So that definitely needs to be given consideration, raised substantially, and to make farmers like Mr. Bergen and myself eligible for SBA consideration.

So I want to thank you all for hearing our testimony. It has been an honor to be here today, and I appreciate your time and consideration.

Mr. GIBSON. Thank you. And well said.

Dr. Paulson?

Mr. PAULSON. So again, I will maybe try to give a crop producer's perspective on this. In addition to working with crop producers in Illinois and throughout the Midwest, I also grew up on a corn and soybean farm. And as I was preparing some of the numbers in my testimony, I found it kind of coincidental how well my family farm kind of fit into that acreage example that I showed where in 2000, my father would have been considered a small farm. His farm has not changed, but because of what we have seen with commodity prices, he would no longer be considered a small farm by the definition under statute. So I would just like to reiterate some of the point that have already been made, but just the fact that we have had increasing prices but on also the expense side, the need, the sheer volume that farmers need in terms of working capital, farmers are literally working with twice as many dollars, and in the short-term it looks like we are back to very low margins. So just the need for access to credit is very critical. So I think it is a very important time to reconsider this definition and set it at an appropriate level.

Thank you.

Mr. GIBSON. Thank you, Doc. Before we close, does the ranking member have any final comments?

Ms. MENG. No. I just want to thank all of you for being here, and obviously, to Congressman Bost and Chairman Curbelo for pushing this and supporting this important piece of legislation. As a New York City member, I obviously do not have farms in my district, but as a New Yorker, and as a mom of two children, I thank you for your work.

Mr. GIBSON. Well, that is awesome. And we appreciate that very much that we show a united front on all of this.

I want to thank all the witnesses for taking time away from their businesses to participate in today's hearing. It was, indeed, very informative. I am proud to be a cosponsor as well, and I know the chairman and the ranking member will be recommending to Chairman Chabot that the Committee on Small Business markup H.R. 3714 as soon as possible.

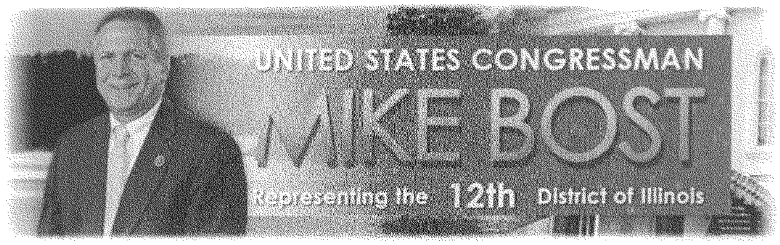
And I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And I would also like to wish all the panelists here a very Happy Thanksgiving. We certainly are very thankful for you. And with that, this hearing is adjourned.

[Whereupon, at 12:04 p.m., the Subcommittee hearing was adjourned.]

APPENDIX



Testimony of the Honorable Mike Bost
United States House of Representatives
Hearing Before the House Small Business Subcommittee on Agriculture, Energy and Trade
November 19, 2015

Chairman Curbelo and Ranking Member Meng, thank you for inviting me to testify at today's hearing on my legislation, the Small Agricultural Producer Size Standards Improvement Act. My comments will be brief so the Committee can begin hearing from the small business agriculture producer panel, the intended beneficiaries of my legislation.

President Eisenhower once said, "Farming looks mighty easy when your plow is a pencil and you're a thousand miles from a corn field." Unfortunately, this quote is accurate when describing the statutorily established size standard for agriculture producers.

Agriculture is an important contributor to our economy. Approximately 16 million jobs are directly or indirectly related to production agriculture. In 2012, the USDA estimated that market value of all commodities produced in the United States at $394 billion dollars.

Agriculture production in the 12th Congressional District is the most diversified in the State of Illinois. For example, St. Clair and Madison counties in the north of my district, in addition to producing corn and soybeans, produce more that 60% of the horseradish consumed in the United States. While in the southern portion of my district, there are orchards, vineyards, and vegetable farms. Overall, agriculture production in the 12th Congressional District resulted in more than $700 million in economic output in 2012.

Family-owned farms still account for the majority of farms and ranches in the United States. However, over the past few decades, changes have taken place that fundamentally altered the structure of the farm economy.

The advent of new technologies has greatly increased productivity, which in turn has led to lower relative prices for many commodities. As data enabled planting and other innovative productivity-enhancing technologies, such as data-enabled precision planting, become more widely adopted, the already thin margins most agriculture producers receive for their output is expected to increase.

In order to remain viable in this new environment, most farms and ranches need to achieve greater economies of scale or earn income off the farm to survive. According to the United States

Department of Agriculture, most farms do not earn enough income to survive as stand-alone operations.

As a result, many farmers and ranchers are required to work off the farm to make ends meet. Even then, many of these operations could easily surpass the current income-based size standard of $750,000.

Similarly, low relative commodity prices, thin margins and increased costs for land and other inputs has resulted in the consolidation of many individual family-owned operations into larger, single family-owned business units. However, these operations very much remain small businesses.

Unfortunately, the current small business size standard for agriculture has been set in statute and does not account for these factors. Agriculture producers and policymakers need consistency in order to achieve their objectives. The statutory size standard for agriculture producers does not help us achieve those objectives.

In the 30 years since enactment of the statutory size standard, the Small Business Administration has significantly improved its methodology for determining small business size standards. I believe this methodology should be given a chance to determine an appropriate size standard for agriculture producers.

Also, the establishment of small business size standards constitutes agency rulemaking. This will allow small business agriculture producers the opportunity to share their thoughts and concerns regarding the proposed size standards as they are developed.

The recent enactment of legislation I sponsored with Representative Gerald Connolly, the Stronger Voices for Small Businesses Act will further empower small businesses. If the agency finalizes a size standard opposed by agriculture producers, then these businesses will now be able to appeal directly to the SBA's Office of Hearings and Appeals.

In closing, ongoing changes in agriculture markets are creating new challenges and opportunities for small business agriculture producers. As food processors and manufacturers adapt to these changes in both consumer tastes and government policies, we should ensure that small business farms and ranches have the ability to compete and participate on a prime contracting or subcontracting basis.

An appropriate size standard for agriculture producers will help create new opportunities for small agriculture producers and help ensure government agencies are meeting Congressionally-established small business contracting goals. I thank the Committee for holding today's hearing and welcome your questions.

Improving Size Standards for Small Farmers and Ranchers

Committee on Small Business Subcommittee on Agriculture, Energy and Trade
November 19th, 2015

Written Testimony by:
Nicholas D. Paulson, PhD
Associate Professor, Agricultural and Consumer Economics
University of Illinois at Urbana-Champaign

Greetings Mr. Chairman, subcommittee members, staff, and observers. My name is Nick Paulson and I am an associate professor in the Department of Agricultural and Consumer Economics at the University of Illinois at Urbana-Champaign. My research and outreach programs are focused on agricultural finance and risk management, and my teaching responsibilities include courses in small business and agricultural finance.

I'd like to thank the Chairman for the invitation and opportunity to address the subcommittee as part of this hearing. My testimony today will focus on the Small Business Association's current use of a sales-based size standard for agriculture which is fixed by statute, and the implications and appropriateness of making adjustments to that standard as outlined in H.R. 3714. Given my background, I will be addressing this issue from a commodity crop farm perspective, including providing some specific examples for a corn and soybean farm. While the past 8 years have been a period of high commodity prices and excellent returns for most crop farms, the short- to mid-term outlook is for a return to lower prices and returns. Therefore, the small business definition, and the eligibility for SBA programs that it determines, will be a critical issue for America's crop producers in the coming years.

Commodity Price Impacts on Size

The SBA currently defines most small agricultural businesses to be those with average annual sales receipts less than $750,000 per year. This sales level is fixed by statute, and has not been updated for the past 15 years. While fixed sales-based definitions may appropriately represent a measure of size in other industries, agriculture, particularly for commodity producers, is quite different.

The average price received by farmers for many major commodities has increased dramatically over the past 15 years. For example, the national average price received for corn from 2010 to 2014 was $5.29 per bushel, up 149% from the average price of $2.12 from 2000 to 2004. Average soybean prices have increased 123% over the same time period. Average barley, oat, rice, sorghum, and wheat prices have all increased by more than 100%; average cotton prices have increased by 68%; average peanut prices have increased by 22%. For the producers of these crops, these changes in average price levels would significantly increase revenues even if no real changes were made to the scale of their operation. This issue is further exacerbated by the productivity increases experienced in expected crop yields for many commodities.

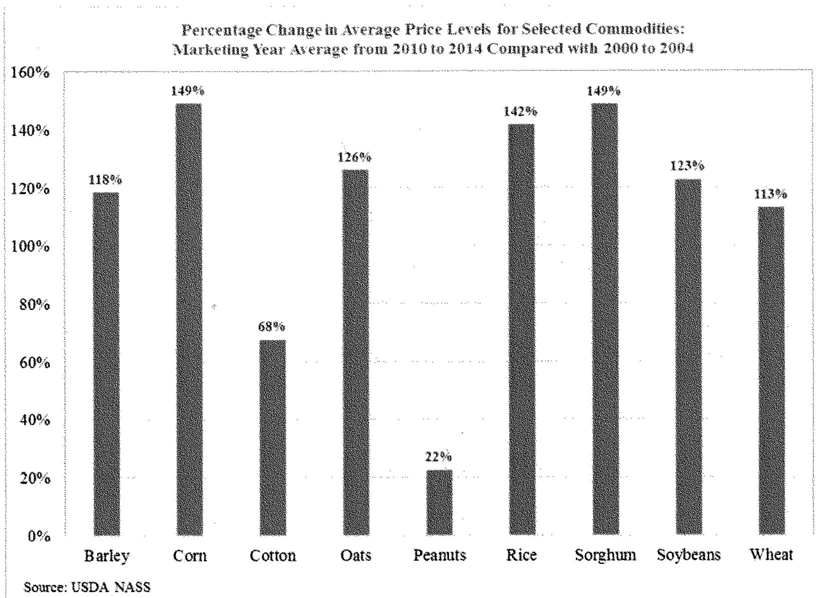


Figure 1. Changes in National Marketing Year Average Prices for Selected Commodities

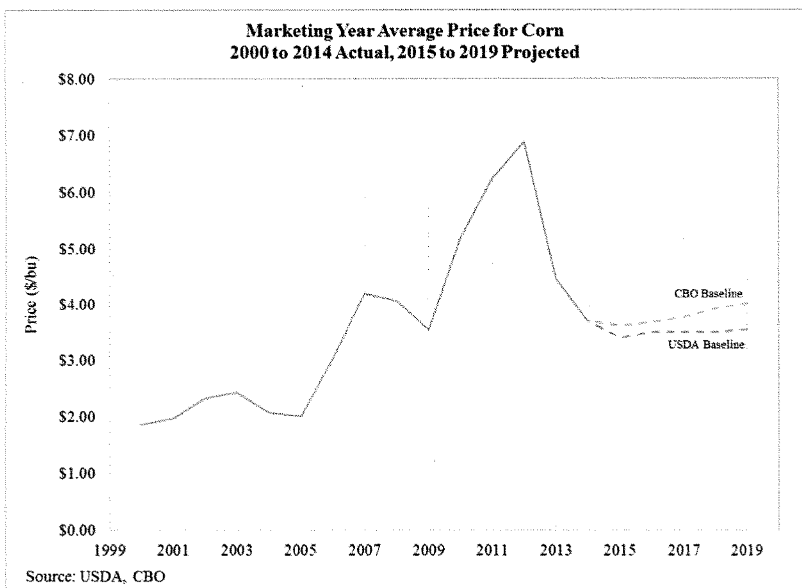


Figure 2. National Marketing Year Average Price of Corn, 2000 to 2019P

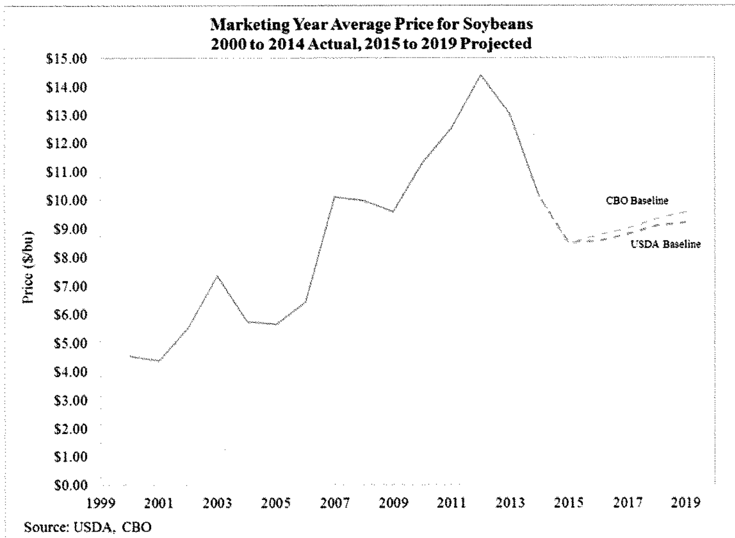


Figure 3. National Marketing Year Average Price of Soybeans, 2000 to 2019P

As an illustration, consider the specific example of a corn and soybean farmer with average productivity who receives average prices. The $750,000 size standard would have implied a maximum small farm size of nearly 3,000 acres from 2000 to 2004. The maximum small farm size would have declined to just over 1,700 acres from 2005 to 2009. With even higher price levels from 2010 to 2014, the maximum small farm size over this time period would have been just over 1,100 acres. Looking ahead over the next 5 years and using the Congressional Budget Office's (CBO) baseline prices, the average maximum size for a corn and soybean farmer would be just under 1,450 acres to be eligible for SBA programs, or roughly half the maximum size to be considered a small farm under the current standard when it was established 15 years ago.

While the acreage sizes in this example are specific to a corn and soybean farm, the key point is that the implied maximum farm size to be defined as a small business is now much smaller than when the small business size standard was established. This reduction in maximum size would also impact producers of all other crops whose prices have increased since the size standards were established 15 years ago.

Table 1. Current Size Standard's Maximum Small Farm Size in Acres Over Time

	Average Corn Price ($/bu)	Average Corn Yield (bu/acre)	Average Soybean Price ($/bu)	Average Soybean Yield (bu/acre)	Average Revenue ($/acre)	Maximum Small Farm Size (acres)
2000 to 2004	$2.12	141.4	$5.51	38.4	$255.54	2,935
2005 to 2009	$3.37	153.1	$8.35	42.3	$434.46	1,726
2010 to 2014	$5.29	150.3	$12.26	43.4	$663.64	1,130
2015 to 2019	$3.80	165.6	$9.02	45.1	$518.18	1,447

Note: Historical national average yields and prices come from USDA NASS. Average revenue is based on a 50% corn, 50% soybean rotation. 2015 to 2019 prices come from the March 2015 CBO Baseline. 2015 to 2019 national average yields are based on simple trendline regressions of USDA NASS yield data from 1972 to 2014.

The increase in gross sales levels can also be illustrated at the national level for all farm operations. The 2012 Census of Agriculture reports that the number of farms with at least $500,000 in sales increased by more than 38,000 operations compared with the 2007 Census. The number of farms with at least $1,000,000 in sales increased by more than 24,000 operations. These figures suggest a significant number of farms have shifted beyond the current size standard, losing eligibility status for SBA programs.

Beyond the number of farms potentially impacted by the current small business definition is the issue of the contribution of these farms to the total value of agricultural production. Farms operating at least 500 acres accounted for more than 76% of the total value of agricultural production in 2012, while farms operating at least 1,000 acres accounted for over 55% of the total value of agricultural production (Kuethe, 2014). Thus, the farms most likely to be impacted by potential changes to the small business size standard account for the majority of the value produced in US agriculture.

Rising Production Expenses

With higher price levels, and the resulting shift of US farm operations out of the small business category, a natural response is that these farms must be generating more income and have less need for SBA programs. However, production expenses have also increased dramatically over the past 15 years.

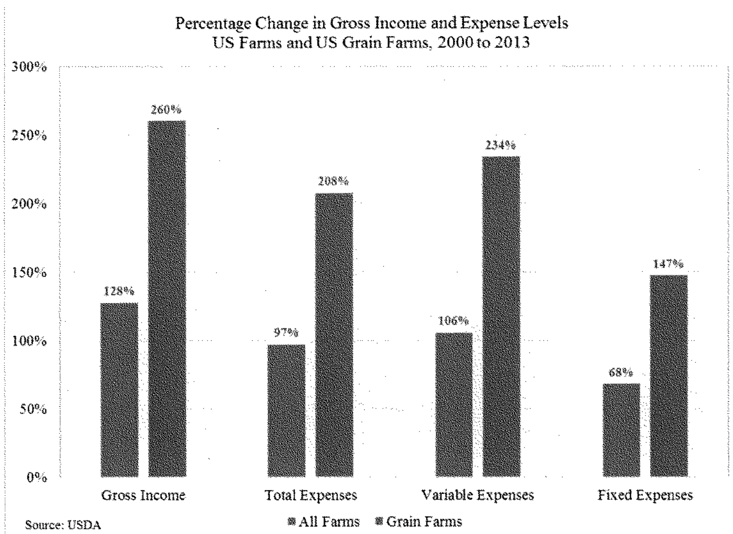


Figure 5. Percentage Change in Average Gross Income and Expenses per US Farm, 2000 to 2013

According to USDA data, total expenses have increased by 97% for all farms, and by 208% for grain farms in the US since 2000. Variable expenses, which include production inputs, have increased at a faster rate – 106% for all farms and 234% for grain farms – while fixed expenses, which include those related to land, have increased at a slightly slower rate – 68% for all farms and 147% for grain farms.

The rate of increase in expense levels is smaller than what has been experienced for gross income, implying increased incomes for farm operations. However, in looking at the recent baseline projections from the USDA and CBO, the short term outlook suggests price levels at below what has been experienced over the past 5 years for most major commodities. Historically, agricultural production costs are "stickier" than prices, meaning that they adjust more slowly. This implies the potential for a return to lower income levels for producers over the next 5 years.

Again, a specific example of a corn and soybean farm may help to illustrate. Crop budget data from the University of Illinois shows a significant increase in production costs since 2009. In central Illinois, the per acre costs associated with corn production have increased by more than 18%, with negative average farmer returns in 2014 and projected for 2015 and 2016. Soybean production costs per acre have increased by more than 30% since 2009, also resulting in negative average farmer returns in 2014 and projected for 2015 and 2016.

Farm Balance Sheet and Credit Needs

As production costs have risen, the working capital and credit needs of farmers has also increased. While US farms continue to have low levels of relative debt, as measured by the debt-to-asset ratio, the amount of debt used by US farms in terms of total dollars has increased significantly over the past 15 years. The average current or short-term liability balance per US farm has increased by more than 90%, while non-current liabilities have increased by 53%. The increase in debt use on US grain farms is even more pronounced with an increase of over 200% in both current and noncurrent liabilities since 2000.

These increased debt levels are a direct reflection of the higher production costs currently facing America's farmers, and represent the potential for increased credit needs over the coming years. This provides yet another reason to carefully consider the small business size standard for agriculture, as the current definition could severely limit eligibility for SBA programs during a time of critical need for a significant number of farm operations.

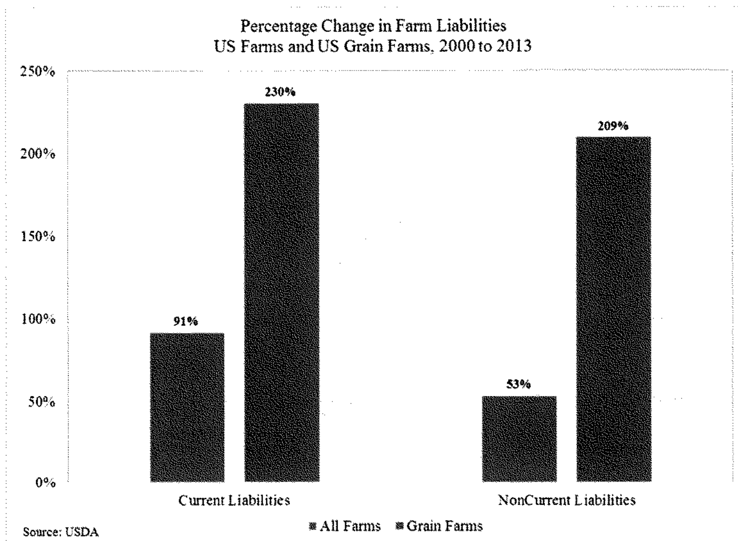


Figure 6. Percentage Change in Current and NonCurrent Liabilities per US Farm, 2000 to 2013

Precedent for Adjustments to Sales-Based Size Standards in Agriculture

Finally, I'd like to make the committee members aware of the precedent for adjustments to sales-based size definitions used in agriculture. The USDA utilizes a typology system which classifies farms into small, midsize, and large size categories. Beginning in 1998, these size categories were based on gross farm sales with the cutoff between small and large family farms set at

$250,000 per year. In 2010, the USDA revised the definitions of these categories to reflect the structural changes which had occurred in agriculture over the preceding 15 years (Hoppe and MacDonald, 2013).

The revised typology adopted the use of gross cash farm income (GCFI), and significantly increased the threshold for large family farms to $1,000,000 per year. The revision also created a midsize family farm category for those operations with GCFI between $350,000 and $999,999 per year. The changes that were made shifted more than 64,000 operations into the small farm typology category. The main justification cited for this revision was the significant increase of 41% in the producer price index (PPI) from 1995 to 2010. The PPI for farm products has further increased by more than 16% from 2010 to 2015.

Summary

I hope the points outlined in this written testimony have convinced the subcommittee members that sales-based size standards for agriculture should, at a minimum, be periodically considered for adjustment for structural change. With higher commodity price levels, a significant number of crop farms may have shifted out of the small business category, as currently defined by statute, with no real change to the scale of their operations. Furthermore, higher prices have led to higher production costs and capital needs for America's farmers. Finally, the farms most likely to be impacted by the SBA definition are those which currently contribute the majority of the value of production to US agriculture. Thus, it is even more critical to have an appropriate definition in place for small agricultural businesses to ensure continued access to and eligibility for SBA programs.

I urge the committee to carefully consider this issue as deliberations proceed. Thank you again for the invitation to address the committee, and for your time as part of this hearing.

References

Congressional Budget Office (CBO). March 2015 Baseline for Farm Programs. https://www.cbo.gov/sites/default/files/44202-2015-03-USDA.pdf

farmdoc. Historic Corn and Soybean Returns in Illinois. http://farmdoc.illinois.edu/manage/actual_projected_costs.pdf

Hoppe, R.A. and J.M. MacDonald. Updated the ERS Farm Typology. USDA ERS Economic Information Bulletin Number 110, April 2013. http://www.ers.usda.gov/media/1070858/eib110.pdf

Kuethe, Todd. "Highlights of the 2012 Census of Agriculture: A Closer Look at Farm Size." *farmdoc daily* (4):141, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 30, 2014.

USDA. Agricultural Projections to 2024. USDA Agricultural Projections No. (OCE-151) 97 pp, February 2015. http://www.ers.usda.gov/publications/oce-usda-agricultural-projections/oce151.aspx

USDA. ERS Agricultural Resource Management Survey (ARMS), Farm Structure and Finance. http://www.ers.usda.gov/data-products/arms-farm-financial-and-crop-production-practices/tailored-reports-farm-structure-and-finance.aspx

USDA. Census of Agriculture. Desktop Data Query Tool 2.0. http://www.agcensus.usda.gov/Publications/2012/Online_Resources/Desktop_Application/

USDA. National Agricultural Statistics Service (NASS) Quick Stats 2.0 Database. http://www.nass.usda.gov/Quick_Stats/

Testimony

on behalf of the

National Cattlemen's Beef Association

with regards to

Small Agriculture Producer Size Standards Improvements Act of 2015

submitted to the

United States House of Representatives
Committee on Small Business
Subcommittee on Agriculture, Energy, and Trade

submitted by

Mr. Jeff Beasley

Illinois Beef Association
Member
National Cattlemen's Beef Association

November 19, 2015
Washington, DC

BEEF USA National Cattlemen's Beef Association

Mr. Chairman, Ranking Member, and members of the subcommittee, my name is Jeff Beasley and I am the co-owner of Beasley & Sons Livestock from Creal Springs, Illinois. It is my pleasure to testify before your subcommittee to discuss my family's beef cattle operation. Nearly a century ago my great-grandfather, along with his four siblings and families came together to purchase the land that remains as the core acreage of the Beasley Farm in Southern Illinois. Times were really tough then for my family and the older children worked for friends and family to earn enough money, over time, to fulfill their hope of farming their own land. The siblings worked together to grow crops and hay, raising cattle, hogs, horses and mules. Over the next several decades, they were able to scratch out a living and provide for their families, but had achieved what they set out to do, and that was farm the land they owned and raise livestock. My grandfather, his brother and cousin helped work the farm, and eventually the farm was passed down to them. Then my grandfather and father became proprietors of the farm together. I remember helping work on the farm as a boy, then as a teenager and then as a young man. More than twenty years ago I joined my father in working and managing the farm. Our dream of raising beef cattle and crops is now a reality; we pursued the goal of living the life and work that we loved, yet knowing that it was a business that must be financially viable to survive.

Our farm has grown and expanded significantly over the years. Depending on the year and circumstances, we have been caring for anywhere between 2,000–4,000 head of cattle per year on several hundred acres of our own land in addition to leasing and managing two other farms. Because of our love for raising cattle, well over ninety percent of our farm income is derived from cattle sales. We are focused on growing grass, raising and feeding beef cattle that we know consumers around this country and the world need and desire as their delicious and healthy source of protein.

The legacy of the Beasley's cattle raising continues, but the changes to agriculture in my lifetime have been overwhelming and hard to fathom to say the least. Living and working on a cattle farm is a wonderful way of life, and a great place to raise a family. You must have a strong desire, passion and good work ethic to accept this challenge of raising livestock. I've never had anyone tell me they got into agriculture to get rich, but rather because they loved doing this work. However, we in agriculture can't live solely on dreams. We must accept the reality that we are in a business, and to sustain the business we have to profit on what we have invested I truly believe that farming and ranching is the quintessential "small business". We should be recognized as such and we need to be treated as such, in regard to business regulations that can so greatly affect us.

The amount of capital that we are required to manage these days is almost mind boggling. Costs of production have soared. It takes a good amount of equipment and facilities to manage and care for the cattle, and that comes at a hefty price tag. Feed costs, grass and crop seedings, fencing, equipment, maintenance and labor costs all add up significantly. This doesn't even take into account the cost of purchasing cattle.

So while I consider a cattle operation the size and structure such as ours as a small business, the dollars that we must spend and manage far exceed what Congress considers an agricultural small business. The current definition is restrictive and limits our ability to operate on a level that other non-agriculture businesses operate. For us to be sustainable, to expand and profit in order to pass along the family farm, or for young persons to enter and start their own farm or livestock enterprise, we need regulations that are fair and equitable, and that is what I am seeking today.

The Small Business Act of 1953 authorized the Small Business Administration to establish the standards for determining the financial eligibility assistance of small businesses. The definition of a small business has been somewhat subjective over the years and varies by industry. Under the Small Business Act, a small business is determined by number of employees, dollar volume of business, net worth, net income, a combination thereof, or other factors. The definition is meant to be relative to each industry and reflect the differing characteristics among industries.

In effort to keep up with an evolving economy, the Small Business Administration has proposed comprehensive size standards reform on five different occasions—three of which have occurred since the last revision to the agriculture standards for SBA loans. In 1984, the Small Business Administration proposed changing the definition of 'small' to farms with cash receipts less than $100,000. Congress responded in 1985 by removing SBA's ability to establish a small business size standard for agriculture by enacting a statutory level of $500,000 that was later increased to $750,000 by Congress in 2000. The authority to update the standards has not been transferred back to the Administrator of the Small Business Administration. The Small Agriculture Producer Size and Standards Improvement Act is a bill I support to amend the Small Business Act and return the authority to the Small Business Administration to establish size standards for agriculture based on the same process as other small businesses.

Agriculture is one of the oldest industries in the world, and many of our daily concerns haven't changed: weather, soil, the health of my farm animals, debt, natural disasters, and taxes are still my priorities. As a cattle farmer, I adjust to the daily challenges and try to be successful given the conditions I face. The cattle operation my family owns today looks very different from how it started when you consider the market conditions and cost of production have changed significantly over time.

The outdated size standards of the Small Business Act clearly do not reflect the needs of modern agriculture. Here are some comparisons from USDA's 1987 Census of Agriculture and USDA's 2012 Census of Agriculture for my state, Illinois (see attachment).

	1987	2012
Total Number of Farms	88,766	75,087
Average Farm Size	321 acres	359 acres
Farms owned by families	**85%**	**86%**
Farmer as primary occupation	64%	50%
Average Age of Farmer	50.4 years old	57.8 years old
Average Value of Farm	$402,970	$2.26 million
Average Value of Farmland	**$1,262/acre**	**$6,305/acre**
Avg. Value of Farm Equipment	**$60,935**	**$203,192**
Total Farm Expenses	**$4.56 billion**	**$13.46 billion**
Market Value of Products Sold	**$6.37 billion**	**$17.19 billion**

You can see that many farm operations, like mine, are still family owned and operated, but the cost of doing business has increased tremendously; as has the average age of the farmer has also increased. By this account, an average farmer in 1987 would have been eligible for a loan through the Small Business Administration by not exceeding the statutory limit of $500,000. However, an average farm value in 2012 would vastly exceed the statutory limit of $750,000 established in 2012. The Small Business Administration should have the authority to adjust statutory limits on a regular basis by using data such as the Census of Agriculture that is conducted every five years, as well as other data provided by the U.S. Department of Commerce.

Throughout America's history, our economy has been resilient due to our willingness to take risks seeking success when previous attempts have failed. In spite of the increasing regulatory and tax burdens and the frivolous abuse of the legal system, American continues to be a fertile ground for the entrepreneurial spirit and multi-generational, family-owned businesses. For many Americans, including myself and my family, this is our pursuit of happiness and it is the foundation of the American Dream; something that each generation has fought to protect.

American agriculture is a prime example of an industry that has evolved to meet market demands by embracing technology, making necessary and often times risky investments, overcoming natural disasters and becoming more efficient than previous generations. Most of our international competitors also face similar risks, but the one advantage American agriculture has had over the years has been our access to credit. The majority of agricultural financing is conducted through private local banks, the Farm Credit System, USDA-backed loans and other government loans. Our industry appreciates access to these credit opportunities, but it is important to realize that agriculture in the 21st Century has evolved over 30 years into businesses that have diversified in order to face less volatility on the balance sheet.

Agriculture is a unique industry because we provide a basic necessity—food. History is full of stories of nations rising and falling by not having access to basic needs. The United States has seen its population of farmers fall from 16.5 percent of the total population in 1950, to one percent of the population in 2012. At the same time, our production has grown exponentially from $109 billion in 1950 to $279 billion in 2012. Imagine that, less than two

percent of the U.S. population is engaged in agriculture and yet we are able to feed America and many other nations. We provide stability that most people take for granted.

Unlike previous generations who had very little job options other than the family farm, today's agriculture industry primarily consists of an educated workforce that wants to engage in agriculture. Even still, the average age of farmers continues to increase, and we face a growing trend of urbanization that continues to draw the next generation away from the farm. Due to the enormous startup and operational costs it is very difficult for new people to enter the agriculture industry. Even though USDA has programs to assist young farmers and new farmers, many times those loans are not great enough to cover the necessary costs. So how do we feed the entrepreneurial spirit of those who want to stay involved or become involved in food production?

There is no silver bullet that can solve this problem alone but one thing our industry has learned over the years is when we are confronted challenge we can work together to find a reasonable solution. That same common-sense approach should be applied to small business loans to provide the agricultural sector greater access for small business loan programs. Improving the existing tools available through the Small Business Administration to modernize definition of a small agricultural business. I appreciate the subcommittee's interest and time to have this hearing today on how small businesses like our family's cattle farm could accurately be represented within the definitions of the Small Business Administration. Enacting the Small Agriculture Producer Size and Standards Improvement Act is a step in the right direction to recognize small agricultural businesses. Thank you for inviting me to be here today.

NCFC
National Council of
Farmer Cooperatives

Testimony of Larry Burgin
Delhi, New York
Before the House Committee on Small Business
Subcommittee on Agriculture, Energy and Trade
November 19, 2015

Chairman Curbelo, Ranking Member Meng and Members of the subcommittee, my name is Larry Burgin and I am honored to be here today talking about this important issue.

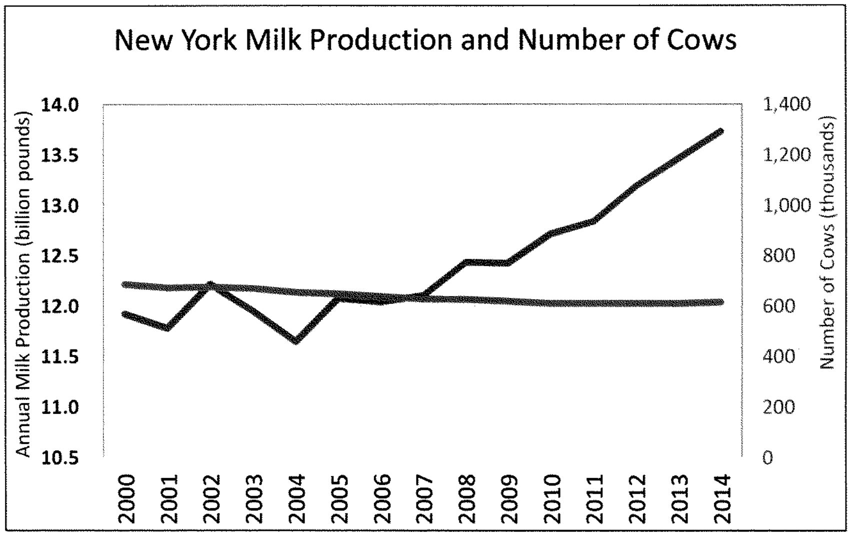
Along with my two oldest sons, I milk 150 cows in Delhi, New York. We also grow corn for silage, oats, hay and other crops on our 300 acres. We are proud to call this land, which has been in my family since 1908, home. I joined my father as a partner on the dairy operation in 1980, but have been involved in the operation since I was a child.

I market my milk through Dairy Farmers of America, a national milk marketing cooperative. DFA is a proud member of the National Council of Farmer Cooperatives, who I am representing here today.

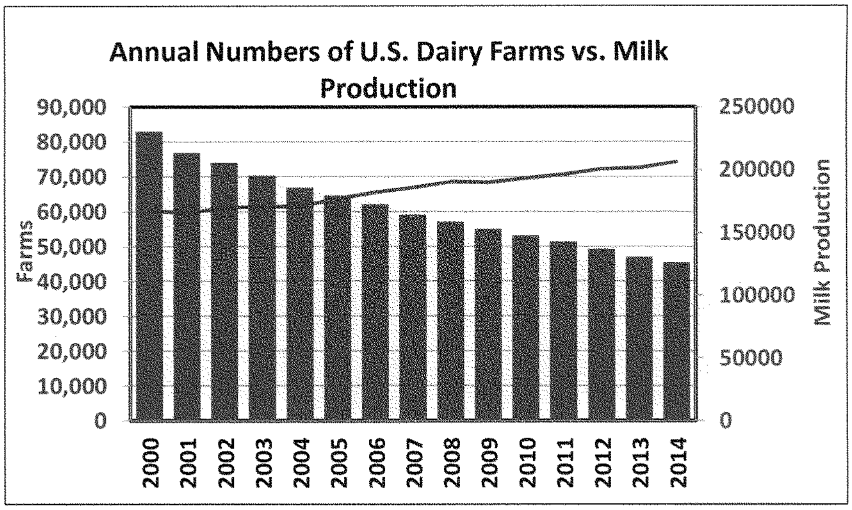
The National Council of Farmer Cooperatives has been the voice of America's farmer cooperatives since 1929. The majority of America's 2 million farmers and ranchers belong to one or more of the 2,500 local and regional cooperatives across the country. Farmer cooperatives handle, process and market almost every type of agricultural commodity; furnish farm supplies; and provide credit and related financial services, including export financing. Within the dairy sector, farmer cooperatives handle about 80 percent of the Nation's milk production. Earnings from these activities are returned to their farmer members on a patronage basis, helping improve their income from the marketplace. Farmer cooperatives also provide over 250,000 jobs, with a total payroll in excess of $8 billion, and contribute significantly to the economic well-being of rural America.

New York is a proud and diverse agricultural state, producing an assortment of fruits and vegetables as well as maple syrup and milk and other dairy products. New York is the nation's third largest producer of milk, behind California and Wisconsin and the sector is diverse in both dairy farm size and management style. According to Cornell University, New York has approximately 5,600 dairy farms ranging from 10 cow Amish-run dairies to several thousand cows on multi-generational operations.

In the last five years alone, New York's milk production has increased by 10.5 percent, compared to 8.8 percent growth nationwide. Milk cow numbers, however, have declined by approximately 1 percent. Since 2008, New York dairy cows have increased their individual milk production from 19,859 to 22,330 pounds per year. Producing more milk from the same number, or even fewer cows, is due to better herd management and efficiencies gained through better genetics and scientific feed rations. It is a trend we have experienced on our dairy over the past several decades.



This trend also can be seen at a national level. The U.S. Department of Agriculture's (USDA) average milk production numbers demonstrate the efficiency gained in the industry in recent years. In 1970, the U.S. milk herd of 12 million cows was spread out across 648,000 dairy farms. That herd produced approximately 9,751 pounds of milk per cow per year or 1,083 gallons per cow per year. In 2012, the nation's 9.2 million cows reside on less than 60,000 dairy farms but produced approximately 21,500 pounds per year or 2,388 gallons per cow per year. Like the farmers who manage them, dairy cows have become more efficient – producing more milk with less. This increase in productivity means that farms that were once considered small, without substantive changes to the operation, and because of efficiencies, may now be too large to qualify for Small Business Administration (SBA) programs.



The dairy industry is very volatile and my farm's success year over year is dependent on a number of factors such as herd health, milk production, the price and availability of feed, the cost and availability of labor, fuel costs, global dairy markets, regulatory requirements and many other issues. We have seen increased production costs over the past 20 years driven by higher input, labor and land costs.

Because of these varied factors, on-farm receipts vary from year to year on an individual's farm. In 2009 and part of 2010, the dairy industry went through a period of historic low milk prices and record high input costs. Dairy farms struggled and a farm my size would have qualified for SBA benefits. Jump to 2014, record high milk prices, good weather and moderate feed costs would likely push my farm above the SBA's program threshold. In both examples and in comparison with farms in New York and other parts of the country, my dairy would be considered a smaller operation. But the growing efficiency of the dairy herd and volatility of milk prices would sometimes skew my farm's status with the SBA. USDA's average all milk price for 2009 was $12.81 per hundredweight. An average producing dairy in New York could have up to 260 cows before it breached the SBA threshold of $750,000. In 2014, when the average milk price was $23.97, 140 cows with average production would likely be "too big." Mr. Chairman, in your home state of Florida, the numbers are similar. The average Florida dairy cow produces 20,382 pounds of milk per year, versus the 22,330 produced by New York cows living in a cooler climate. In 2009, a dairy farm with about 280 cows would be considered small at the SBA, but in 2014, that number would decrease to about 150. Each milk producing state has a similar situation to share.

Farming is volatile and can change dramatically from year to year and generation to generation. Federal programs meant to support an impacted industry need to be revised periodically in order to appropriately reflect changes in that industry.

A farm's receipts are not necessarily indicative of their relative success, status or size. Through the years, my farm has grown in size. It has grown to allow me to spread out expenses, to allow for more family member involvement, and to ensure my wife and I were able to provide for our family responsibly. But the growth in size was not directly commensurate with growth in income. Like in other businesses, input costs are volatile and seemingly always on the rise and margins are always shrinking. SBA programs should acknowledge these unique aspects of agriculture in order to be a partner in our success.

I appreciate the House Small Business Committee taking interest in this issue, and support the Small Agriculture Producers Size Standards Improvements Act of 2015, introduced by Representative Bost and cosponsored by a number of members of this committee. I believe raising the seemingly arbitrary $750,000 of receipts threshold that currently exists for agricultural producers should be reconsidered. The dynamics of today's farms and farmers, especially those who farm as their sole source of income, have changed dramatically and I believe the SBA size standard should reflect those changes.

UNITED FRESH
PRODUCE ASSOCIATION

Prepared Statement

Robert L. Guenther

Senior Vice President, Public Policy

United Fresh Produce Association

Washington, DC

Before the

U.S. House of Representatives

Committee on Small Business

Subcommittee on Agriculture, Energy and Trade

November 19, 2015

Headquarters 1901 Pennsylvania Ave. NW Suite 1100 · Washington, DC 20006 USA · 202 303 3400 · fax 202 303 3433 · www.unitedfresh.org
Western Regional Office 512 Pajaro Street · Salinas, CA 93901 USA · 831 422 0940 · fax 831 422 2892

Thank you Chairman Curbelo and Ranking Member Meng, I am Robert Guenther, Senior Vice President of Public Policy for the United Fresh Produce Association. As you know, United Fresh is the national trade association representing the entire distribution chain of the fresh fruit and vegetable production including, growers, shippers, wholesaler-distributors, processors and retailers. Fruit and vegetable farms account for nearly 10 million acres of production with a $57 billion market value and nearly 80 percent of fruit and vegetable farms are family owned. Since 1904, United Fresh has worked with Congress and the Administration to help shape legislative and regulatory policies to provide a strong business climate for our members that encourages growth and development. We thank you for the opportunity to address an issue that impacts the ability of many of our United Fresh members to utilize key programs designed to assist small businesses as they seek to develop and diversify their operations. As you know, United Fresh provided testimony last year when this subcommittee looked at the issue of the size standards used by the Small Business Administration (SBA). We would also like to commend Representatives Bost and Meng for introducing H.R. 3714, to modernize small business size standards for farmers and ranchers by permitting SBA to updated methodologies in setting size standards. And on a personal note, I grew up on a small family farm which is located in North Central Florida and has focused on citrus and nursery production for over 100 years. So this issue does take on a personal appeal for me.

For a variety of reasons such as changes in the economy or fluctuations in commodity prices, the number of agriculture producer operations classified as small businesses has been on a continual decline, even though many of these operations made no significant changes that would otherwise justify a reclassification. Taking into account current agriculture business models, a standard many times higher than the current $750,000 in annual receipts would be the norm in today's agriculture community. More importantly, fruit and vegetable producers, like producers of other commodities, will tell you that annual gross receipts are not a reliable indicator of an operation's size. Nor is it a good indicator of profitability—in light of the cost of inputs and labor, which in fruit and vegetable production, is particularly significant.

In addition to being an unrealistic representation of many agriculture operations, the current SBA standard puts agriculture small business operators at a disadvantage in their ability to avail themselves of assistance they could utilize to grow and adapt their operations. The current $750,000 size standard applied to agriculture operations limits small agriculture producer's access to SBA's assistance programs and federal contracting preferences for small prime and subcontractors. Key SBA programs that may prove useful to produce operations include loans to start, acquire or expand a small business or loans that provide long-term, fixed-rate financing for assets such as land or buildings, among others.

More importantly when you look at the wide variety of programs available at the U.S. Department of Agriculture to help fresh produce operations including farm loan programs, market pro-

motion and export assistance, technical assistance for conservation compliance, nutrition programs, rural and infrastructure development, new and beginning farmers, or organic programs, we believe it is important to ensure that there is a level of consistency between USDA and other federal agencies when it comes to a small business definitions.

Finally, among the most significant challenges that agriculture operations face, like any business, is compliance with government regulations. Some agencies use SBA size standards to assess the impact of their proposed regulations in accordance with the Regulatory Flexibility Act. However, the current standard for agriculture operations to qualify as a small business of annual receipts of no more than $750,000 was set by Congress in 2000. As discussed earlier, given the enormous changes in agriculture since that time, a review of the small business standard, which would provide agriculture producers with justifiable regulatory relief, is long overdue.

As you may be aware, in United Fresh's testimony from 2014, we suggested that Congress and the Administration consider alternatives that would eliminate the current standard and allow SBA to review industries currently considered to be small agriculture producers. Following that review, SBA could then propose new size standards through the normal regulatory process, which would allow agriculture operators to comment and provide recommendations for a new standard. United Fresh believes that such a proposal would allow SBA to routinely review and update the standard and keep pace with variations in the agriculture community such as changes in the commodities markets. As a result, the correct and appropriate size standard will be in place, better allowing producers to have access to SBA programs and ensure that agriculture producers' needs are better reflected in a variety of regulatory initiatives. In addition, in 2014 we suggested and still believe that it would be very helpful if there was greater harmonization of the standards used by SBA and the Department of Agriculture (USDA). For example, USDA uses acreage as a determining factor in how an operation is categorized. We believe that is a more accurate indicator of whether a business can be considered small and should be incorporated in any determination of what category an agriculture operation should be included.

While we still believe that such an initiative by SBA would bring about needed changes to size standards that apply to farmers and ranchers, we also believe that Reps Bost's and Meng's legislation would also result in a much-needed modernizing of agriculture size standards that reflect present-day farm operations and the current farm economy and we support its passage. We also estimate that approximately 10 percent of our members would have better access to SBA programs if the Bost-Meng legislation were enacted. As has been noted, the standard for agriculture producers has been updated only once, in the year 2000; a review is long overdue. We agree with the statement made by the National Council of Farmer Cooperatives that Representative Bost and Meng's legislation means that "...farmers, ranchers and growers have greater access

to the SBA's programs and expertise and it will help promote economic activity and job growth across rural America."

Again, thank you Chairman Curbelo and Ranking Member Meng for holding this hearing for allowing me to share United's position with you. We look forward to working with you and I will be happy to take questions.

○